

**Township of Bruce  
Macomb County, Michigan**

---

**Financial Report  
with Supplemental Information  
March 31, 2008**

# Township of Bruce

---

## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-7
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Fund Balances to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Fund - Enterprise - Sewer Fund:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds - Statement of Assets and Liabilities - Agency Funds	18
Notes to Financial Statements	19-32
<b>Required Supplemental Information</b>	33
Budgetary Comparison Schedule - General Fund	34
Budgetary Comparison Schedule - Major Special Revenue Funds	35-37
Note to Required Supplemental Information	38
<b>Other Supplemental Information</b>	39
Nonmajor Governmental Funds:	
Combining Balance Sheet	40
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	41
Fiduciary Funds - Combining Statement of Assets and Liabilities	42



Plante & Moran, PLLC  
Suite 300  
19176 Hall Road  
Clinton Township, MI 48038  
Tel: 586.416.4900  
Fax: 586.416.4901  
plantemoran.com

## Independent Auditor's Report

To the Board of Trustees  
Township of Bruce  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce (the "Township") as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Bruce's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Township of Bruce  
Macomb County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bruce's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

July 2, 2008

# **Township of Bruce**

---

## **Management's Discussion and Analysis**

As management of the Township of Bruce, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended March 31, 2008. We encourage readers to consider information presented here in conjunction with additional information that is furnished in the Township's financial statements.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

# Township of Bruce

## Management's Discussion and Analysis (Continued)

### The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current	\$ 4,197	\$ 3,743	\$ 1,297	\$ 885	\$ 5,494	\$ 4,628
Noncurrent:						
Restricted assets	-	-	-	287	-	287
Capital assets	2,891	3,099	6,570	5,780	9,461	8,879
Total assets	7,088	6,842	7,867	6,952	14,955	13,794
<b>Liabilities</b>						
Current liabilities	389	475	615	130	1,004	605
Long-term liabilities	453	507	3,735	3,316	4,188	3,823
Total liabilities	842	982	4,350	3,446	5,192	4,428
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	2,537	2,665	2,750	2,726	5,287	5,391
Restricted	2,320	2,002	-	-	2,320	2,002
Unrestricted	1,390	1,193	767	780	2,157	1,973
Total net assets	<u>\$ 6,246</u>	<u>\$ 5,860</u>	<u>\$ 3,517</u>	<u>\$ 3,506</u>	<u>\$ 9,763</u>	<u>\$ 9,366</u>

The Township's assets are divided into two categories: business-type activities and governmental-type activities. The combined net assets increased from \$9.37 million to \$9.76 million. The governmental-type activities showed an increase of \$387,000 in net assets, which equates to 6.6 percent. This increase was a result of state revenue sharing holding steady, new ordinances in place for fire and ALS to collect additional revenue, interest revenue being higher than anticipated in the original budget, and the ability to keep costs at or below budgeted levels. The business-type activities showed an increase of \$11,000 in net assets, which equates to 0.3 percent.

# Township of Bruce

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 752	\$ 638	\$ 268	\$ 218	\$ 1,020	\$ 856
Capital grants and contributions	20	30	-	-	20	30
General revenue:						
Property taxes	2,044	1,920	-	-	2,044	1,920
State-shared revenue	461	435	-	-	461	435
Unrestricted investment earnings	222	210	44	86	266	296
Miscellaneous	218	213	-	-	218	213
Gain on sale of assets	3	(13)	-	-	3	(13)
Total revenue	3,720	3,433	312	304	4,032	3,737
<b>Program Expenses</b>						
General government	1,006	1,072	-	-	1,006	1,072
Public safety	2,199	1,955	-	-	2,199	1,955
Public works	113	110	-	-	113	110
Interest on long-term debt	15	23	-	-	15	23
Water and sewer	-	-	301	306	301	306
Total program expenses	3,333	3,160	301	306	3,634	3,466
<b>Change in Net Assets</b>	<b>\$ 387</b>	<b>\$ 273</b>	<b>\$ 11</b>	<b>\$ (2)</b>	<b>\$ 398</b>	<b>\$ 271</b>

### Governmental Activities

The Township's total governmental revenues were approximately \$3.7 million. The Township's total governmental expenditures were approximately \$3.3 million. Increases were led by continued increases in healthcare costs and employee related expenses.

### Business-type Activities

The Township's business-type activities consist of the Sewer Fund. We provide sewage treatment through a sewage treatment plant that is owned and operated by the Village of Romeo. The Township leases capacity from the Village of Romeo.

# **Township of Bruce**

## **Management's Discussion and Analysis (Continued)**

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, the Fire Fund, the Advanced Life Support Fund, the Romeo Service Contract Fund, and the 2002 Special Assessment Fund.

The General Fund pays for most of the Township's governmental services. The most significant are assessing and building inspection departments, which incurred expenses of approximately \$118,000 and \$108,000, respectively, in 2008. Fire and advanced life support services are supported primarily through special millages that are recorded in the respective funds. The Fire and Advanced Life Support Funds recorded the receipt of approximately \$658,000 and \$927,000, respectively, from these millages in the current year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was an increase in public safety in the Fire and Advanced Life Support Funds. This was a result of building improvements made to the Romeo substation and an increase in hours worked by part-time firefighters due to increased demand. Revenues were higher than anticipated due to new ordinances in place to collect fire and ambulance revenues. In addition, other fluctuations or changes include:

- New building permits were down and home sales slow within the Township.
- Part-time staff hours were reviewed and capped or reduced in various departments.
- Election revenues and expenditures were up due to the increase in elections held and monies reimbursed from state and county.
- A new healthcare benefits package was implemented the second half of the year, resulting in a savings during the last quarter of the fiscal year.

### **Economic Factors and Next Year's Budgets and Rates**

Future increases in state-shared revenue are unpredictable due to the state of the economy in Michigan.



# **Township of Bruce**

---

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

In December 2004, the Township board approved issuing \$3,375,000 of general obligation capital improvement bonds for the expansion and renovation of the Village of Romeo waste water treatment plant. The Township does not have ownership in this facility; however, the Township utilizes this facility to service the Township's residents. This expansion was necessary to provide sewer support to the industrial district. Principal payments for this bond issue started in the current fiscal year. The Waste Water Treatment Plant project was complete prior to the end of the fiscal year. With the completion of the Industrial Sewer District line, we are now beginning to sell taps to generate revenue.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# Township of Bruce

## Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$ 3,633,593	\$ 822,435	\$ 4,456,028
Receivables:			
Taxes	156,084	-	156,084
Customers	-	58,906	58,906
Special assessments	130,378	394,399	524,777
Contracts and other	51,279	21,331	72,610
Internal balances	(87)	87	-
Due from other governmental units	129,649	-	129,649
Prepaid costs and other assets	95,903	-	95,903
Capital assets (Note 4):			
Nondepreciable capital assets	680,770	423,504	1,104,274
Depreciable capital assets	<u>2,210,253</u>	<u>6,146,783</u>	<u>8,357,036</u>
Total assets	7,087,822	7,867,445	14,955,267
<b>Liabilities</b>			
Accounts payable	48,152	3,770	51,922
Accrued and other liabilities	151,718	355	152,073
Deferred revenue (Note 3)	90,086	525,998	616,084
Noncurrent liabilities (Note 6):			
Due within one year	98,707	85,000	183,707
Due in more than one year	<u>452,859</u>	<u>3,735,225</u>	<u>4,188,084</u>
Total liabilities	<u>841,522</u>	<u>4,350,348</u>	<u>5,191,870</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	2,536,644	2,750,062	5,286,706
Restricted:			
Capital projects	207,744	-	207,744
Romeo service contract	159,411	-	159,411
Fire and advanced life support	1,952,878	-	1,952,878
Unrestricted	<u>1,389,623</u>	<u>767,035</u>	<u>2,156,658</u>
Total net assets	<u>\$ 6,246,300</u>	<u>\$ 3,517,097</u>	<u>\$ 9,763,397</u>

# Township of Bruce

	Program Revenues		
	Charges for	Operating	Capital Grants
Expenses	Services	Grants and	and
		Contributions	Contributions
<b>Functions/Programs</b>			
Primary government:			
Governmental activities:			
General government	\$ 1,005,967	\$ -	\$ -
Public safety	2,199,022	746,723	20,350
Public works	113,240	5,087	-
Interest on long-term debt	14,788	-	-
Total governmental activities	3,333,017	751,810	20,350
Business-type activities - Sewer	300,717	267,759	-
Total primary government	<u>\$ 3,633,734</u>	<u>\$ 1,019,569</u>	<u>\$ 20,350</u>
General revenues:			
Property taxes			
State-shared revenues			
Unrestricted investment earnings			
Miscellaneous			
Gain on sale of assets			
Total general revenues			
<b>Change in Net Assets</b>			
<b>Net Assets - Beginning of year</b>			
<b>Net Assets - End of year</b>			

**Statement of Activities**  
**Year Ended March 31, 2008**

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,005,967)	\$ -	\$ (1,005,967)
(1,431,949)	-	(1,431,949)
(108,153)	-	(108,153)
(14,788)	-	(14,788)
(2,560,857)	-	(2,560,857)
-	(32,958)	(32,958)
(2,560,857)	(32,958)	(2,593,815)
2,044,079	-	2,044,079
460,484	-	460,484
222,103	43,731	265,834
218,165	-	218,165
2,500	-	2,500
2,947,331	43,731	2,991,062
386,474	10,773	397,247
5,859,826	3,506,324	9,366,150
<b>\$ 6,246,300</b>	<b>\$ 3,517,097</b>	<b>\$ 9,763,397</b>

# Township of Bruce

## Governmental Funds Balance Sheet March 31, 2008

	General Fund	Fire Fund	Advanced Life Support Fund	Romeo Service Contract Fund	2002 Special Assessment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments (Note 2)	\$ 1,144,523	\$ 980,487	\$ 835,447	\$ 283,334	\$ 139,730	\$ 250,072	\$ 3,633,593
Receivables:							
Taxes	31,250	51,637	73,197	-	-	-	156,084
Special assessments	40,033	-	12,298	10,137	67,910	-	130,378
Contracts and other	4,712	5,832	7,387	33,173	142	33	51,279
Due from other funds (Note 5)	8,571	3,091	13,574	34	25	5,090	30,385
Due from other governmental units	129,649	-	-	-	-	-	129,649
Prepaid costs	16,738	18,166	40,908	20,091	-	-	95,903
<b>Total assets</b>	<b>\$ 1,375,476</b>	<b>\$ 1,059,213</b>	<b>\$ 982,811</b>	<b>\$ 346,769</b>	<b>\$ 207,807</b>	<b>\$ 255,195</b>	<b>\$ 4,227,271</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 30,811	\$ 5,332	\$ 7,471	\$ 4,475	\$ 63	\$ -	\$ 48,152
Accrued and other liabilities	75,981	22,718	27,818	23,838	-	-	150,355
Due to other funds (Note 5)	14,828	2,803	802	5,876	-	6,163	30,472
Deferred revenue (Note 3)	74,388	4,952	17,250	133,078	67,910	-	297,578
<b>Total liabilities</b>	<b>196,008</b>	<b>35,805</b>	<b>53,341</b>	<b>167,267</b>	<b>67,973</b>	<b>6,163</b>	<b>526,557</b>
<b>Fund Balances</b>							
Reserved for prepaid expenditures	16,738	18,166	40,908	20,091	-	-	95,903
Unreserved, reported in:							
General Fund:							
Designated for postretirement health-care costs	100,000	-	-	-	-	-	100,000
Undesignated	1,062,730	-	-	-	-	-	1,062,730
Special Revenue Funds:							
Designated for postretirement health-care costs	-	50,000	50,000	-	-	-	100,000
Designated for Romeo service contract	-	-	-	159,411	-	-	159,411
Undesignated	-	955,242	838,562	-	-	249,032	2,042,836
Capital Projects Funds - Designated for capital improvements	-	-	-	-	139,834	-	139,834
<b>Total fund balances</b>	<b>1,179,468</b>	<b>1,023,408</b>	<b>929,470</b>	<b>179,502</b>	<b>139,834</b>	<b>249,032</b>	<b>3,700,714</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,375,476</b>	<b>\$ 1,059,213</b>	<b>\$ 982,811</b>	<b>\$ 346,769</b>	<b>\$ 207,807</b>	<b>\$ 255,195</b>	<b>\$ 4,227,271</b>

# Township of Bruce

## **Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended March 31, 2008**

**Total Fund Balances for Governmental Funds** \$ 3,700,714

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds:

Cost of capitalized assets	\$ 6,492,562	
Accumulated depreciation	<u>(3,601,539)</u>	2,891,023

Revenue related to receivables is reported in the statement of net assets at the time it is earned without regard to timeliness of remittance	207,492
---	---------

Long-term liabilities are not due and payable in the current period and are not recorded in the funds	(551,566)
--	-----------

Accrued interest payable is not reported in the funds	<u>(1,363)</u>
---	----------------

**Total Net Assets of Governmental Activities** \$ 6,246,300

# Township of Bruce

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	Major Special Revenue Funds				Major Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Advanced Life Support Fund	Romeo Service Contract Fund	2002 Special Assessment Fund		
<b>Revenue</b>							
Property taxes	\$ 456,450	\$ 658,291	\$ 927,199	\$ -	\$ -	\$ -	\$ 2,041,940
Licenses and permits	49,995	-	-	-	-	-	49,995
Federal grants	-	1,175	19,175	-	-	-	20,350
State-shared revenue	418,058	-	-	-	-	-	418,058
Charges for services	-	129,821	144,881	472,744	-	-	747,446
Special assessments	13,382	-	4,386	4,519	52,419	-	74,706
Interest earned	132,667	30,923	27,234	14,023	5,339	291	210,477
Other	119,894	9,536	42,656	-	-	4,000	176,086
Total revenue	1,190,446	829,746	1,165,531	491,286	57,758	4,291	3,739,058
<b>Expenditures</b>							
Current:							
General government	490,485	-	-	-	-	-	490,485
Public safety	-	510,692	1,026,262	456,072	-	-	1,993,026
Public services	193,280	-	-	-	-	4,959	198,239
Employee benefits and insurance	241,181	-	-	-	-	-	241,181
Community and economic development	79,657	-	-	-	-	-	79,657
Capital outlay	9,135	-	72,578	-	-	-	81,713
Debt service	-	48,145	-	-	47,105	-	95,250
Total expenditures	1,013,738	558,837	1,098,840	456,072	47,105	4,959	3,179,551
<b>Net Change in Fund Balances</b>	176,708	270,909	66,691	35,214	10,653	(668)	559,507
<b>Fund Balances - Beginning of year</b>	1,002,760	752,499	862,779	144,288	129,181	249,700	3,141,207
<b>Fund Balances - End of year</b>	<u>\$ 1,179,468</u>	<u>\$ 1,023,408</u>	<u>\$ 929,470</u>	<u>\$ 179,502</u>	<u>\$ 139,834</u>	<u>\$ 249,032</u>	<u>\$ 3,700,714</u>

# Township of Bruce

---

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>559,507</b>
---	-----------	----------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		36,448
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds		(244,832)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end		(61,993)
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection		42,426
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		79,602
Accrued interest is recorded on debt when incurred in the statement of activities		860
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities		(25,544)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>386,474</u></b>
--	-----------	-----------------------



# Township of Bruce

## Proprietary Fund - Enterprise - Sewer Fund Statement of Net Assets March 31, 2008

	Enterprise - Sewer
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 822,435
Receivables - Customers	58,906
Receivables - Special assessments	34,334
Receivables - Other	21,331
Due from other funds	87
Total current assets	937,093
Noncurrent assets:	
Receivables - Special assessments	360,065
Capital assets (Note 4):	
Nondepreciable capital assets	423,504
Depreciable capital assets	6,146,783
Total noncurrent assets	6,930,352
Total assets	7,867,445
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,770
Accrued and other liabilities	355
Deferred revenue	525,998
Current portion of long-term debt (Note 6)	85,000
Total current liabilities	615,123
Noncurrent liabilities - Long-term debt (Note 6)	3,735,225
Total liabilities	4,350,348
<b>Net Assets</b>	
Investment in capital assets - Net of related debt	2,750,062
Unrestricted	767,035
Total net assets	\$ 3,517,097

# Township of Bruce

## **Proprietary Fund - Enterprise - Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2008**

	Enterprise - Sewer
<b>Operating Revenue</b> - Charges for services	\$ 267,759
<b>Operating Expenses</b>	
Cost of sewage disposal	127,166
Operation and maintenance	7,052
General and administrative	18,211
Depreciation and amortization	98,876
Total operating expenses	251,305
<b>Operating Income</b>	16,454
<b>Nonoperating Revenue (Expense)</b>	
Interest income	43,731
Interest expense	(49,412)
Total nonoperating expense	(5,681)
<b>Change in Net Assets</b>	10,773
<b>Net Assets</b> - Beginning of year	3,506,324
<b>Net Assets</b> - End of year	<u><u>\$ 3,517,097</u></u>

# Township of Bruce

## Proprietary Fund - Enterprise - Sewer Fund Statement of Cash Flows Year Ended March 31, 2008

	Enterprise - Sewer
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 244,873
Payments to suppliers	(199,338)
Other disbursements	(87)
	<u>45,448</u>
Net cash provided by operating activities	45,448
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from issuance of long-term debt	512,292
Purchase of capital assets	(942,907)
Principal and interest paid on debt	(82,642)
Collection of capital special assessments	131,599
	<u>(381,658)</u>
Net cash used in capital and related financing activities	(381,658)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>43,731</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(292,479)
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>1,114,914</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 822,435</u></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 16,454
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	98,876
Changes in assets and liabilities:	
Receivables	(22,886)
Due from other funds	(87)
Accounts payable	(46,273)
Accrued and other liabilities	(636)
	<u>(636)</u>
Net cash provided by operating activities	<u><u>\$ 45,448</u></u>

There were no noncash capital, financing, or investing activities during the year.

# Township of Bruce

---

## **Fiduciary Funds Statement of Assets and Liabilities - Agency Funds March 31, 2008**

### **Assets**

Cash and cash equivalents	\$ 204,772
Receivables - Contracts and other	<u>3,737</u>

Total assets	<u><u>\$ 208,509</u></u>
--------------	--------------------------

### **Liabilities**

Due to other governmental units	\$ 41,225
Accrued and other liabilities	74,984
Deposits	<u>92,300</u>

Total liabilities	<u><u>\$ 208,509</u></u>
-------------------	--------------------------

# Township of Bruce

---

## Notes to Financial Statements March 31, 2008

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Township of Bruce (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Bruce:

#### **Reporting Entity**

The Township is governed by an elected, five-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are a part of the Township's operations.

**Blended Component Units** - The Building Authority is governed by a board that is appointed by the Township's board. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Township's Economic Development Corporation and Hospital Finance Authority have no financial activity and, therefore, are excluded from the Township's basic financial statements.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Fund** - The Fire Fund accounts for fire safety and protection services/activities within the Township. Funding is provided primarily through a local property tax levy.

# Township of Bruce

---

## Notes to Financial Statements March 31, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Advanced Life Support Fund** - The Advanced Life Support Fund accounts for emergency medical response services/activities within the Township. Funding is provided primarily through a local property tax levy and a user charge for ambulance services.

**Romeo Service Contract Fund** - The Romeo Service Contract Fund accounts for fire safety and protection services/activities within the Village of Romeo. Funding is provided primarily through user charges charged to the Village of Romeo.

**2002 Special Assessment Fund** - The 2002 Special Assessment Fund accounts for the construction activities related to a Township paving project and is funded by the residents receiving the benefit of the paving project.

The Township reports the following major Enterprise Fund:

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage and storm water collection system. Funding is primarily through user charges.

Additionally, the Township reports the following fund type:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$523.5 million, on which taxes levied consisted of 0.7914 mills for operating purposes. This resulted in \$410,653 for operating, which is recognized in the General Fund as tax revenue. The 2007 taxable valuation of the Township, excluding property within the Village of Romeo, totaled \$336.3 million, on which taxes levied consisted of 1.94 mills for fire services and 2.75 mills for advanced life support services. This resulted in \$652,344 for fire services and \$924,714 for advanced life support services. These amounts are recognized in the respective Special Revenue Funds as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.



# Township of Bruce

## Notes to Financial Statements March 31, 2008

### Note I - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, buildings, equipment, furniture and fixtures, vehicles, and sewer systems, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Sewer system	30-60 years
Buildings	40 years
Fire vehicles and equipment	5-12 years
Machinery and equipment	5-7 years
Election equipment	5 years

**Compensated Absences** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

# Township of Bruce

## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

The Township tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999 (the "Act"), the Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Accumulated expenditures over revenue - April 1, 2007	\$ (399,789)
2007-2008 building department activity:	
Current year revenue	34,216
Current year expenditures	<u>(108,281)</u>
Excess of expenditures over revenue	<u>(74,065)</u>
Accumulated expenditures over revenue - March 31, 2008	<u><u>\$ (473,854)</u></u>

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated 13 banks for the deposit of its funds.

The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had approximately \$1,841,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

# Township of Bruce

## Notes to Financial Statements March 31, 2008

### Note 2 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

Investment	Fair Value	Rating	Rating Organization
Pool or fund - 2a7-like	\$ 45,849	AI/PI/FI	S & P
Pool or fund - 2a7-like	107,497	Not rated	
Pool or fund - 2a7-like	1,463,933	Not rated	
Pool or fund - 2a7-like	253,007	AAA	Fitch

### Note 3 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds, governmental activities, and business type activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Governmental activities:			
Romeo service contract	\$ -	\$ 90,086	\$ 90,086
State-shared revenue	34,355	-	34,355
Special assessments	130,378	-	130,378
Fire and ambulance charges	42,759	-	42,759
Total governmental activities	207,492	90,086	297,578
Business type activities - Special assessments	-	525,998	525,998
Total	\$ 207,492	\$ 616,084	\$ 823,576

# Township of Bruce

## Notes to Financial Statements March 31, 2008

### Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2007	Reclassifications	Additions	Disposals and Adjustments	Balance March 31, 2008
<b>Governmental Activities</b>					
Capital assets not being depreciated -					
Land	\$ 680,770	\$ -	\$ -	\$ -	\$ 680,770
Capital assets being depreciated:					
Buildings	3,386,902	-	-	-	3,386,902
Fire vehicles and equipment	2,208,677	-	36,448	31,105	2,214,020
Machinery and equipment	150,902	-	-	-	150,902
Election equipment	59,968	-	-	-	59,968
Total	5,806,449	-	36,448	31,105	5,811,792
Accumulated depreciation:					
Buildings	1,682,331	-	92,220	-	1,774,551
Fire vehicles and equipment	1,555,844	-	133,419	31,105	1,658,158
Machinery and equipment	115,479	-	17,835	-	133,314
Election equipment	34,158	-	1,358	-	35,516
Total	3,387,812	-	244,832	31,105	3,601,539
Net capital assets being depreciated	2,418,637	-	(208,384)	-	2,210,253
Net capital assets	<u>\$ 3,099,407</u>	<u>\$ -</u>	<u>\$ (208,384)</u>	<u>\$ -</u>	<u>\$ 2,891,023</u>
<b>Business-type Activities</b>					
Capital assets not being depreciated -					
Construction in progress	\$ 3,081,966	\$ (3,547,555)	\$ 889,093	\$ -	\$ 423,504
Capital assets being depreciated:					
Sewer system	3,959,568	3,547,555	-	-	7,507,123
Accumulated depreciation	1,261,464	-	98,876	-	1,360,340
Net capital assets being depreciated	2,698,104	3,547,555	(98,876)	-	6,146,783
Net capital assets	<u>\$ 5,780,070</u>	<u>\$ -</u>	<u>\$ 790,217</u>	<u>\$ -</u>	<u>\$ 6,570,287</u>

# Township of Bruce

## Notes to Financial Statements March 31, 2008

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 111,413
Fire services	<u>133,419</u>
Total governmental activities	<u>\$ 244,832</u>
Business-type activities - Sewer	<u>\$ 98,876</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Governmental activities:		
General Fund	Fire Fund	\$ 563
General Fund	Advanced Life Support Fund	768
General Fund	Improvement Revolving Fund	6,163
General Fund	Romeo Service Contract Fund	1,077
Fire Fund	General Fund	3,091
Advanced Life Support Fund	General Fund	6,535
Advanced Life Support Fund	Fire Fund	2,240
Advanced Life Support Fund	Romeo Service Contract Fund	4,799
Romeo Service Contract Fund	Advanced Life Support Fund	34
2002 Special Assessment Fund	General Fund	25
Improvement Revolving Fund	General Fund	<u>5,090</u>
Total governmental activities		30,385
Sewer Fund	General Fund	<u>87</u>
Total		<u>\$ 30,472</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

### **Note 6 - Long-term Debt**

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government.

Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. At March 31, 2008, the Township has \$130,378 of special assessment receivables set aside in various governmental funds for repayment of these bonds; the amount of receivables delinquent at March 31, 2008 is not significant. The remaining principal and interest to be paid on the bonds total \$168,660.

The Township has pledged all future special assessment collections of the Sewer Fund to repay the sewer special assessment bonds listed below. Proceeds from the bonds provided financing for the construction of sewer lines. The remaining principal and interest to be paid on the bonds total \$681,013. During the current year, special assessment collections were \$136,397 compared to the annual debt requirements of \$24,645.

# Township of Bruce

## Notes to Financial Statements March 31, 2008

### Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Installment purchase agreements:							
Fire Station Loan:							
Amount of issue: \$400,000		\$24,462 -					
Maturing through October 1, 2012	3.86%	\$46,322	\$ 238,981	\$ -	\$ (39,602)	\$ 199,379	\$ 41,201
Special assessment bonds - 2002 Limited tax bonds:							
Amount of issue: \$375,000	3.40% -	\$35,000 -					
Maturing through February 1, 2012	3.70%	\$40,000	195,000	-	(40,000)	155,000	40,000
Total governmental activities debt outstanding			433,981	-	(79,602)	354,379	81,201
Other long-term obligations - Compensated absences			171,643	94,214	(68,670)	197,187	17,506
Total governmental activities			605,624	94,214	(148,272)	551,566	98,707
<b>Business-type Activities</b>							
General obligation bonds - 2004 Improvement Bonds:							
Amount of issue: \$3,375,000	4.15% -	\$50,000 -					
Maturing through October 1, 2033	5.30%	\$200,000	3,375,000	-	(25,000)	3,350,000	50,000
Less amortizable discount on issuance			(33,750)	-	1,250	(32,500)	-
Special assessment bonds - 2007 Limited tax bonds:							
Amount of issue: \$520,000	4.00% -	\$35,000 -					
Maturing through April 1, 2022	4.50%	\$50,000	-	520,000	(10,000)	510,000	35,000
Less amortizable discount on issuance			-	(7,795)	520	(7,275)	-
Total business-type activities			3,341,250	512,205	(33,230)	3,820,225	85,000
Total governmental and business-type activities			<u>\$ 3,946,874</u>	<u>\$ 606,419</u>	<u>\$ (181,502)</u>	<u>\$ 4,371,791</u>	<u>\$ 183,707</u>



# Township of Bruce

## Notes to Financial Statements March 31, 2008

### Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 81,201	\$ 14,170	\$ 95,371	\$ 85,000	\$ 183,930	\$ 268,930
2010	82,843	9,568	92,411	85,000	179,880	264,880
2011	84,550	6,461	91,011	85,000	175,830	260,830
2012	81,322	3,249	84,571	110,000	171,118	281,118
2013	24,463	288	24,751	110,000	165,743	275,743
2014-2018	-	-	-	650,000	741,730	1,391,730
2019-2023	-	-	-	810,000	576,495	1,386,495
2024-2028	-	-	-	800,000	386,075	1,186,075
2029-2033	-	-	-	925,000	170,894	1,095,894
2034	-	-	-	200,000	5,051	205,051
Total	<u>\$ 354,379</u>	<u>\$ 33,736</u>	<u>\$ 388,115</u>	<u>\$ 3,860,000</u>	<u>\$ 2,756,746</u>	<u>\$ 6,616,746</u>

### Note 7 - Joint Ventures

The Township is a member of four joint ventures:

- Romeo-Washington-Bruce Parks and Recreation (R.W.B.P.R.)
- Senior Transportation through Advanced Reservation (S.T.A.R.)
- Romeo-Washington-Bruce Tri-Community Cable Communications Commission
- Romeo District Library

The joint ventures' governing boards are comprised of appointed members from each participating municipality. The Township appoints three members to each of the R.W.B.P.R.'s and S.T.A.R.'s governing boards, two members to the Tri-Community Cable Communications Commission governing board, and one member to the Romeo District Library board. The boards then approve the annual budgets.

The principal revenue sources of R.W.B.P.R., S.T.A.R., and the Romeo District Library are user fees and a voted property tax. The principal revenue source for the Tri-Community Cable Communications Commission is appropriations from the three communities that are equal to the fees paid to the communities by the cable operator.

# Township of Bruce

---

## Notes to Financial Statements March 31, 2008

### **Note 7 - Joint Ventures (Continued)**

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. There is no definable equity interest in any of these joint ventures. Complete financial statements for the joint ventures can be obtained from the administrative offices at 223 East Gates Street, Romeo, Michigan.

### **Note 8 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all such risks. Settled claims relating to insurance plans have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 9 - Defined Contribution Retirement Plan**

The Township provides pension benefits to all of its full-time employees and part-time firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township's board, the Township contributes 16 percent of full-time employees' and 10 percent or 5 percent of part-time employees' base earnings depending on job position. In accordance with these requirements, the Township contributed \$202,203 and the employees contributed \$96,705 during the current year.

### **Note 10 - Accounting and Reporting Changes**

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

## **Required Supplemental Information**

---

# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Property taxes	\$ 439,000	\$ 439,000	\$ 456,450	\$ 17,450
Licenses and permits	39,285	39,285	49,995	10,710
State sources	405,331	405,331	418,058	12,727
Special assessments	-	-	13,382	13,382
Interest income	85,915	85,915	132,667	46,752
Other	93,267	93,267	119,894	26,627
Total revenues	1,062,798	1,062,798	1,190,446	127,648
<b>Expenditures</b>				
General government:				
Township board	29,175	29,175	28,386	789
Township supervisor	46,100	46,100	46,100	-
Elections	33,135	36,135	37,164	(1,029)
Assessing	119,658	120,158	117,671	2,487
Legal fees	62,000	62,000	28,453	33,547
Township clerk	47,960	47,960	47,900	60
General office	58,227	52,027	56,074	(4,047)
Accounting and audit	76,138	76,138	74,413	1,725
Board of Review	1,000	1,000	1,800	(800)
Tax roll preparation	6,168	6,368	6,424	(56)
Township treasurer	58,120	58,120	46,100	12,020
Public services:				
Zoning Board of Appeals	4,500	4,000	699	3,301
Cemeteries	8,000	8,000	5,710	2,290
Township hall	34,300	43,900	34,694	9,206
Inspections	104,900	100,300	108,281	(7,981)
Street lighting	9,450	12,750	12,940	(190)
Engineering	10,000	11,500	4,328	7,172
Planning	16,200	16,200	16,773	(573)
Ordinance enforcement	7,700	10,200	9,855	345
Employee benefits and insurance:				
Insurance and other	106,350	113,250	139,425	(26,175)
Pension plan	66,000	66,000	63,796	2,204
Employer payroll taxes	40,700	40,700	37,960	2,740
Capital outlay and other:				
Road chloride and paving	40,000	40,000	20,500	19,500
Capital outlay	12,000	12,000	9,135	2,865
Cable TV studio	55,017	55,017	59,157	(4,140)
Total expenditures	1,052,798	1,068,998	1,013,738	55,260
<b>Net Change in Fund Balance</b>	10,000	(6,200)	176,708	72,388
<b>Fund Balance - Beginning of year</b>	1,002,760	1,002,760	1,002,760	-
<b>Fund Balance - End of year</b>	<u>\$ 1,012,760</u>	<u>\$ 996,560</u>	<u>\$ 1,179,468</u>	<u>\$ 72,388</u>

# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Current taxes	\$ 610,809	\$ 610,809	\$ 658,291
Federal sources	-	-	1,175
Charges for services	50,000	50,000	129,821
Interest earned	8,000	8,000	30,923
Other local revenue	-	-	9,536
Total revenues	668,809	668,809	829,746
<b>Expenditures</b>			
Public safety	517,400	542,900	510,692
Capital outlay	78,133	78,133	-
Debt service	48,276	48,276	48,145
Total expenditures	643,809	669,309	558,837
<b>Net Change in Fund Balance</b>	25,000	(500)	270,909
<b>Fund Balance - Beginning of year</b>	752,499	752,499	752,499
<b>Fund Balance - End of year</b>	<u>\$ 777,499</u>	<u>\$ 751,999</u>	<u>\$ 1,023,408</u>

# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Advanced Life Support Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Current taxes	\$ 865,838	\$ 865,838	\$ 927,199
Federal grants	-	20,000	19,175
Charges for services	118,562	118,562	144,881
Special assessments	-	-	4,386
Interest earned	10,000	10,000	27,234
Other local revenue	-	40,000	42,656
	<u>994,400</u>	<u>1,054,400</u>	<u>1,165,531</u>
Total revenues	994,400	1,054,400	1,165,531
<b>Expenditures</b>			
Public safety	962,400	1,050,700	1,026,262
Capital outlay	32,000	73,000	72,578
	<u>994,400</u>	<u>1,123,700</u>	<u>1,098,840</u>
Total expenditures	994,400	1,123,700	1,098,840
<b>Net Change in Fund Balance</b>	-	(69,300)	66,691
<b>Fund Balance - Beginning of year</b>	<u>862,779</u>	<u>862,779</u>	<u>862,779</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 862,779</u></u>	<u><u>\$ 793,479</u></u>	<u><u>\$ 929,470</u></u>

# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Romeo Service Contract Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Charges for services	\$ 441,400	\$ 441,400	\$ 472,744
Special assessments	-	-	4,519
Interest earned	7,500	7,500	14,023
Total revenues	448,900	448,900	491,286
<b>Expenditures</b> - Public safety	448,900	460,400	456,072
<b>Net Change in Fund Balance</b>	-	(11,500)	35,214
<b>Fund Balance</b> - Beginning of year	144,288	144,288	144,288
<b>Fund Balance</b> - End of year	<u>\$ 144,288</u>	<u>\$ 132,788</u>	<u>\$ 179,502</u>

# Township of Bruce

## Note to Required Supplemental Information March 31, 2008

### Note - Budgetary Information

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Major Special Revenue Funds except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund level and is the classification detail at which expenditures may not legally exceed appropriations.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Township of Bruce incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual
General Fund:		
Elections	\$ 36,135	\$ 37,164
General office	52,027	56,074
Board of review	1,000	1,800
Tax roll prep	6,368	6,424
Inspections	100,300	108,281
Street lighting	12,750	12,940
Planning	16,200	16,773
Insurance and other	113,250	139,425
Cable TV studio	55,017	59,157



## **Other Supplemental Information**

---

# Township of Bruce

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	
	Improvement Revolving	McCafferty Cemetery	Debt Service	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 242,571	\$ 7,501	\$ -	\$ 250,072
Receivables - Other	17	16	-	33
Due from other funds	<u>5,090</u>	<u>-</u>	<u>-</u>	<u>5,090</u>
Total assets	<u><b>\$ 247,678</b></u>	<u><b>\$ 7,517</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 255,195</b></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b> - Due to other funds	\$ 6,163	\$ -	\$ -	\$ 6,163
<b>Fund Balances</b> - Unreserved - Undesignated	<u>241,515</u>	<u>7,517</u>	<u>-</u>	<u>249,032</u>
Total liabilities and fund balances	<u><b>\$ 247,678</b></u>	<u><b>\$ 7,517</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 255,195</b></u>

# Township of Bruce

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended March 31, 2008

	Special Revenue Funds		Debt Service Fund	
	Improvement Revolving	McCafferty Cemetery	Debt Service	Total Nonmajor Governmental Funds
<b>Revenue</b>				
Interest earned	\$ -	\$ 291	\$ -	\$ 291
Other	-	4,000	-	4,000
Total revenue	-	4,291	-	4,291
<b>Expenditures - Public services</b>	-	4,959	-	4,959
<b>Net Change in Fund Balances</b>	-	(668)	-	(668)
<b>Fund Balances - Beginning of year</b>	241,515	8,185	-	249,700
<b>Fund Balances - End of year</b>	<u>\$ 241,515</u>	<u>\$ 7,517</u>	<u>\$ -</u>	<u>\$ 249,032</u>

# Township of Bruce

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2008

	Agency Funds		
	Current Tax	Trust and Agency	Total
<b>Assets</b>			
Cash and investments	\$ -	\$ 204,772	\$ 204,772
Receivables - Contracts and other	1,257	2,480	3,737
Total assets	<u>\$ 1,257</u>	<u>\$ 207,252</u>	<u>\$ 208,509</u>
<b>Liabilities</b>			
Due to other governmental units	\$ 1,222	\$ 40,003	\$ 41,225
Accrued and other liabilities	35	74,949	74,984
Due to other funds			
Deposits	-	92,300	92,300
Total liabilities	<u>\$ 1,257</u>	<u>\$ 207,252</u>	<u>\$ 208,509</u>

# **Township of Bruce**

---

**Report to the Board of Trustees**

**March 31, 2008**

To the Board of Trustees  
Township of Bruce

We have recently completed our audit of the basic financial statements of the Township of Bruce (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments that impact the Township:

	Page
<b>Report on Internal Control</b>	2-4
<b>Report on Results of the Audit Process</b>	5-7
<b>Summary of Unrecorded Possible Adjustments</b>	8
<b>Informational Comments - Retiree Health Care Benefits</b>	9

We are grateful for the opportunity to be of service to the Township of Bruce. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

**Plante & Moran, PLLC**

*Christina M. Kostiuk*

Christina M. Kostiuk

*Thomas J. Clement*

Thomas J. Clement

## Report on Internal Control

To the Board of Trustees  
Township of Bruce  
223 East Gates  
Romeo, MI 48065

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they potentially become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township of Bruce as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency and a material weakness.

To the Board of Trustees  
Township of Bruce

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

**Accrual Adjustments** - During the audit, we generally provide assistance in identifying accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records, including capital assets (recording of additions, depreciation expense, and disposals), long-term debt, contingent liabilities, employee compensated absences, special assessment and property tax revenue recognition, and receivable and related revenue for fire and ambulance charges that were billed through a third party (including an estimate for collectability.)

We are pleased to assist in this process and do so with many of our clients - our auditors have expertise in accrual adjustments and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated.

While not material weaknesses or significant deficiencies, we would like to suggest the following items for consideration:

**Due to/from Other Funds** - During our audit, we noted a significant increase in the number of due to/from other funds that relate to interest earned on investments that were not transferred before year end. In order to simplify the reconciliation process between governmental funds, we recommend that the Township transfer cash related to any insignificant due to/from other accounts at year end.

**Third-party Billing** - It is our understanding that the third-party administrator (TPA) for fire and ambulance charges directly invoices the individual that utilizes the service. In addition, the TPA collects the receivable and remits payment to the Township. Currently, the Township does not receive a detailed listing of all individuals charged for fire and ambulance services. We recommend that the Township consider requesting a detailed listing of individuals charged for fire and ambulance services that includes the individual's name, amount invoiced, and payment history. This listing should then be reconciled on a monthly basis to the cash received from the TPA.



To the Board of Trustees  
Township of Bruce

**Accrued Interest** - During our audit, we noted that the Township currently records accrued interest on certificates of deposit (CD) when the CD matures. We recommend that the Township record accrued interest on CDs on a periodic basis (at least quarterly) to assist with budgeting and to ensure proper safeguarding of the Township's assets.

This communication is intended solely for the information and use of management, the board, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Christina M. Kostiuk



Thomas J. Clement

July 2, 2008

## **Report on the Results of the Audit Process**

To the Board of Trustees  
Township of Bruce  
223 East Gates  
Romeo, MI 48065

Dear Board Members:

We have audited the financial statements of the Township of Bruce for the year ended March 31, 2008 and have issued our report thereon dated July 2, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 6, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township of Bruce. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters on May 30, 2008 and a letter regarding the same dated May 27, 2008.

To the Board of Trustees  
Township of Bruce

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Bruce are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred. The disclosures in the financial statements are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

During the audit, journal entries related to the correction of items discussed in the report on internal controls were recommended by the auditors and approved by the Township's management.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit

To the Board of Trustees  
Township of Bruce

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated July 2, 2008.

### ***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

This information is intended solely for the use of the board of trustees and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Christina M. Kostiuk



Thomas J. Clement

July 2, 2008

To the Board of Trustees  
Township of Bruce

Client: **Township of Bruce**  
Opinion Unit: **Henry Ross Fund (Major Governmental Fund)**  
Y/E: **3/31/2008**

### SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Income		
KNOWN MISSTATEMENTS:											
A1	To record special assessment payment received within 60 days of year end			\$	(1,296)		\$	1,296	\$	1,296	
A2											
ESTIMATE ADJUSTMENTS:											
B1											
B2											
IMPLIED ADJUSTMENTS:											
C1											
C2											
		\$	-	\$	-	-	\$	-	\$	-	
	Combined effect - Before income taxes	-	-	(1,296)	-	-	1,296	-	1,296		
	Total	\$	-	\$	-	\$	-	\$	1,296	\$	1,296

## **Informational Comments**

### **Retiree Healthcare Benefits**

As you are aware, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the Township's 2009 fiscal year. The pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare benefits. The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid.

The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to reporting for pension plans, GASB 45 requires the Township to compute the estimated liability to provide retiree healthcare benefits to current employees as well as those already retired. Based upon the size of the Township's healthcare plan, less than 100 participants, GASB 45 allows Township personnel to compute the liability or obtain a triennial actuarial valuation. In addition, the Township's funding status, meaning the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. If the Township chooses to retain an actuary, the actuary will determine an annual required contribution necessary to fund the liability over a 30-year period or the Township will need to estimate this annual contribution. The Township will need to consider any contributions in excess of the cost of current health insurance premiums paid for current retirees during the budgeting process.

The Township has proactively set aside funds for this liability by designating portions of the fund balance in the General Fund. The Township will also need to consider the method of funding used toward the actuarially determined liability. Similar to pensions, the monies that have been set aside must be legally restricted and held in trust in order to be counted toward the retiree healthcare liability, which cannot be accomplished by setting aside monies within the General Fund or other governmental and proprietary fund types. The Township has the option of implementing Act 149 of 1999 for funding the retiree healthcare fund. This would also allow the Township to invest these funds in accordance with the Public Employees' Retirement Investment Act, which expands the allowable investment vehicles. There are some stipulations that come with the legislation, such as a prohibition against using the funds in the future for anything other than retiree health care.